Italy and Europe: From Competence to Solidarity to Competence

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Immediately prior to the onset of the novel coronavirus pandemic, the relationship between Italy and the European Union (EU) centred on the competence (and resilience) of the centre-left government. The changeover in the ruling coalition from centre right to centre left in the early autumn of 2019 created an opportunity to strengthen cooperation between Italy and Europe; the big question was whether Giuseppe Conte's second government would be able to deliver in terms of economic reforms and fiscal consolidation (Marzinotto 2020). The January 2020 regional elections in Emilia Romagna were a first major political test. The centre-left coalition passed, but not by a wide margin (Vampa 2021).

Then the onset of the novel coronavirus pandemic changed the conversation (Newell 2020). Italy caught the leading edge of the pandemic and seemed to be isolated in forging a response (Bull 2021). Hence, the focus shifted from what Italy could do for Europe to what the rest of the EU was willing do for Italy (Cachia 2021). Repeated calls for assistance went unheeded or met resistance from governments in other parts of Europe – some of which complained that Italy had not prepared sufficiently to face such a crisis and about the Conte government's refusal to accept conditionality. Meanwhile, efforts by the European Commission and the European Central Bank (ECB) to address the crisis threatened to widen the disparities between Italy and the rest of Europe.

This sense of isolation ended in early May with a Franco-German proposal to provide unprecedented assistance to those countries hardest hit by the pandemic, Italy included. From that point onward, the focus shifted to European solidarity (Jones 2020). The Conte government, riding a wave of popular support for the prime minister and his executive (Giovannini and Mosca 2021), became more self-confident, and the prime minister became more assertive in pushing back against the reluctance of other European governments. The result was an historic compromise both for the European Union and for Italy's relationship with Europe. The President of the Italian Republic, Sergio Mattarella (2020a), captured the significance of the moment in his year-end message, describing the European recovery and resilience program – called Next Generation EU – as decisive for Italy's rebirth.

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Agreement on the European recovery fund shifted the focus back onto the competence of the centre-left coalition. Going into the autumn, the challenge for the Conte government was not only to respond effectively to the second wave of the pandemic but to prepare to manage the huge number of investment projects that would need to be rolled out to attract European financial assistance. The challenge here was administrative as well as political. Despite his success in the negotiation of the European recovery fund, Conte appeared ill-prepared to implement the agreement or to rally the support of his centre-left coalition partners. In this context, former prime minister Matteo Renzi renewed the criticism of Conte's leadership that he had held off from making during the first wave of the pandemic (Newell 2021, Giovannini and Mosca 2021).

The concern was that any failure of the Italian government to take advantage of European assistance would damage both Italy and the European project. President Mattarella (2020a) underscored the need for success in his year-end address. He also recognized the stress the European recovery fund represented for Conte's centre-left coalition. 'No distractions are allowed,' Mattarella insisted. 'No time must be wasted.' What President Mattarella did not mention is what might happen to Italy, or to Italy's relationship with the EU, should Conte's centre-left coalition fail, and the country face new elections. Mattarella also did not mention what the alternatives were. Instead, the year ended on a cliff-hanger for Conte's centre-left coalition and Italy's relationship with Europe (Newell 2021).

This narrative is important both for the future of the European project and for our understanding of European integration. What it reveals is the interaction between different levels of aggregation in Europe's political system. The EU is more than an intergovernmental bargain. It is a complex form of entanglement between the domestic and the European – much as Robert Putnam (1988) anticipated in his theory of two-level games. Within that context, the political imperatives at different levels may be largely disconnected and the institutional arrangements may operate at cross-purposes (Myrdal 1956). As a result, Member State governments may 'succeed' in their negotiations at the European level only to suffer the consequences of their victory domestically.

This argument is developed in five sections. The first section sets the context by describing Italy's relationship with Europe before the onset of the novel coronavirus pandemic. The second describes Italy's isolation at the start of the pandemic alongside the rest of Europe's halting and grudging assistance. The third looks at the debate about European solidarity that started with the Franco-German proposal and culminated in the 21 July agreement on Next Generation EU. The fourth explores the Italian government's preparation for a recovery and resilience program alongside its response to the second wave of the pandemic. The fifth concludes with implications for Italy and Europe.

European Concerns Around the Start of Conte's Second Government

Italy's relationship with the European Union began to change shortly after the May 2019 elections to the European Parliament. The Movimento Cinque Stelle (Five-star Movement, M5s) did poorly in the elections and yet saw an opportunity to improve its standing during the vote held by the new parliament to approve Ursula von der Leyen as the incoming European Commission President. The M5s had a history of Euroscepticism and it also had a history of opposition to mainstream, grand-coalition governments. Nevertheless, the M5s voted to support von der Leyen's nomination. Those votes were crucial for von der Leyen's majority. They also created a division in the ruling Italian coalition between the M5s and the Lega (League), which triumphed in the European elections and withheld its support from von der Leyen (Pasquino and Valbruzzi 2019).

The split in the M5s-Lega coalition deepened over the summer to culminate in Lega leader Matteo Salvini's decision to withdraw his support from the government, which was the first headed by Giuseppe Conte. Salvini expected Conte to resign as prime minister, which would open the door to early elections. Instead, Conte held onto office and, together with Matteo Renzi and Partito Democratico (Democratic Party, PD) leader Nicola Zingaretti, brokered a new coalition between the M5s and the PD. Where Conte's first government was Eurosceptical, his second was more pro-European. It nominated the former PD prime minister Paolo Gentiloni to represent Italy in the incoming European Commission (to take office in December) and named the former chair of the European Parliament's monetary affairs committee, Roberto Gualtieri, also from the PD, to become minister of economics and finance.

These two appointments coincided with a significant decrease in the tension in Italian sovereign debt prices. Market participants stopped selling Italian sovereign debt and started buying it instead. In turn, this renewed interest in purchasing debt made it cheaper for the Italian government to borrow money, both in absolute terms and relative to the German government (Jones and Matthijs 2020). This relaxation of tensions in the bond markets also made it easier for the new coalition to prepare for fiscal consolidation measures required by the European

Commission within the broader framework for macroeconomic policy coordination. The combination of factors – more pro-European attitudes, recognizable faces in key positions, lower financing costs – also made it easier for European officials to strike a less confrontational pose in their dealings with the Italian government. The results were not dramatic in terms of the adoption of meaningful reform measures (Marzinotto 2020), but they marked a significant improvement over the start of the yellow-green coalition twelve months earlier (Fabbrini and Zgaga 2019).

The challenges for Conte's second government came in the form of low growth, flagging public opinion, and a strong sense of residual Euroscepticism within the M5s, particularly relative to the European Stability Mechanism (ESM). The Italian economy never fully recovered from the previous financial crisis and the reform efforts introduced by successive governments from December 2011 to March 2018 failed to unlock a strong economic dynamic. As a result, the high level of public debt to GDP threatened to grow under its own momentum, even at relatively low rates of interest. Tackling that public debt growth through fiscal consolidation was unlikely to make rapid progress without additional efforts to liberalize the economy. If anything, continuous efforts at fiscal austerity chipped away at the confidence of the Italian public in their political leadership. Worse, efforts to accelerate fiscal reforms by raising taxes or cutting entitlements played into the hands of the centre-right opposition – now bolstered by the return of Salvini and his Lega to the opposition benches.

The influence of these factors became apparent already in November 2019, shortly after the Conte government introduced the first draft of its budget for 2020. Popular support for the M5s continued to lag, as did confidence in Conte as prime minister (Bull 2021, Giovannini and Mosca 2021). By contrast, support for Salvini and the Lega held constant or even increased. Meanwhile, the outgoing European Commission sent a final warning that the budget would need to be tightened further to meet European requirements. Matters almost came to a head when Conte opened discussion around the final ratification of reforms to the ESM Treaty. Such reforms would give the ESM a role in monitoring fiscal policy before as well as during financial crises; they also strengthened the role of the ESM in overseeing the fulfilment of any conditions placed on European financial assistance given to governments in distress. For many members of the M5s, these reforms constituted an intolerable intrusion on national sovereignty – an interpretation reinforced by the Lega and Fratelli d'Italia (Brothers of Italy, FdI) in opposition. Bond markets turned sharply against Italy over rumours that the M5s might split. As a result, Conte had to set aside the ratification process to avoid fracturing his own coalition (Cachia 2021).

December brought a new, more understanding Commission with Gentiloni as Commissioner for Economic and Monetary Affairs. This mitigated some of the institutional tension, but it did little to mollify Italian public opinion or to eliminate concerns in the bond markets. Going into the start of 2020, Salvini and FdI leader Giorgia Meloni were the country's two most popular politicians. Conte trailed significantly with a public approval rating just about 20 percent. Worse, the PD was fighting hard to retain control over Emilia Romagna in regional elections. A loss in that contest would have marked a huge victory for Salvini and could even have threatened the stability of Conte's government. International bond market participants started to pay close attention to Italian regional politics. When the votes were counted, the PD held onto the region (Vampa 2021). Nevertheless, the sense that Conte's second government remained in place only because early elections were in nobody's self-interest outside the centre-right opposition became ever more deeply rooted.

This was the context within which the novel coronavirus was spreading quietly across northern Italy. European leaders were looking to see whether the Italian government would make progress on market reforms and fiscal consolidation while Italian political leaders were focused on stemming the slow but steady flow of parliamentarians away from the parties with which they were elected and toward either the mixed group in Parliament or the centre-right opposition. These are not the only reasons why Italy was unprepared. Lack of familiarity with the virus and low state capacity were also important in Italy as elsewhere (Capano 2020). The point is simply that politicians had other priorities.

Italy Stands Alone Against the Novel Coronavirus

The early onset of the virus and the Italian government's response are tackled elsewhere in this collection (Bull 2021, see also Capano 2020). The focus here is on the European reaction. The initial story is depressing (Cachia 2021). Some European governments closed their countries' borders, some refused to share protective equipment or other medical supplies, some implied that Italy's problems stemmed more from incompetence than contagion, and some criticized Italy for its lack of preparedness both in terms of the health care system and in terms of government finances. Usually, these criticisms came in combination. Meanwhile, Italian citizens experienced unprecedented restrictions on their freedom of movement even as military convoys used the cover of night to transport the victims of the pandemic to cremation sites leaving families to mourn in isolation. And if the language in this description seems dramatic, that is only a faint echo of how Italians perceived events.

There is another dimension to the story, however, that also warrants attention and that focuses on the European institutions – meaning the European Commission, the ECB, the Eurogroup, and the European Council. These are institutions where Italy has strong representatives and where Italian voices could command attention. Nevertheless, these institutions reinforced the sense of Italian isolation, often because of the unintended consequences of the decisions they took. As a result, Italians not only rank among the most dissatisfied in Europe with the measures undertaken by the EU, but they are also among the least trusting that European institutions would make better decisions in the future (Eurobarometer 2020: 14, 22).

Consider, for example, the efforts made by the European Commission – all of which were well-intentioned (Jones 2021). The first steps were to try to fill the vacuum in European markets for medical supplies and protective equipment. These efforts were important to mitigate the temptation among the Member States to engage in 'medical nationalism' and to preserve Europe's internal market. Restricting the flow of medical supplies is an affront to the principles of free trade but allowing goods to flow to the highest bidder would not be a good solution either. Hence, the goal should be an equitable form of coordination. The next step was to relax the rules on state aids that constrain how governments prop up firms and households suffering from the economic consequences of the lockdown; it also involves activating the 'general escape clause' in the rules for macroeconomic policy coordination so that governments can run up public debts to finance that support. Competition rules and fiscal rules are important for the single market and the single currency, but the Commission recognized already in early March that the pandemic created a state of exception.

The problem with these measures from an Italian perspective was subtle and complicated. European Commission efforts to stabilize medical supply markets were too little and too late; the symbolic damage was already done, and made worse by governments outside Europe like China, Cuba, Russia, and Albania, that used medical diplomacy to underscore the weakness of the initial European response. More fundamentally, Italian government officials bristled at the offer to borrow freely to support Italian firms and households. Italians were all too aware they borrowed at a premium over other countries and that Italian public debt is already too high. Hence, any such freedoms were more likely to benefit richer and less indebted countries disproportionately, and so leave the Italian economy even further behind after the pandemic.

The only solution, the Conte government argued, was to ‘mutualize’ public debt incurred during the pandemic so that everyone borrowed equally (Sodano 2020). Just as European Member States decided to purchase medical equipment and ventilators as a group to ensure they get the largest volume at the best price, they should borrow money as a group for the same reason. Such a solution was beyond the Commission’s mandate. Only the Council of the European Union and the Member States could authorize common borrowing (although the Commission could act as the Council’s agent in placing and managing the debt). Hence the Commission – on its own – was found wanting.

The ECB’s initial response was also well intentioned. At a regularly scheduled monetary policy meeting on 12 March, the ECB’s Governing Council rolled out a plan to spend an additional €100 billion in direct asset purchases to be used flexibly as part of its existing large-scale asset purchase program. It also launched a new round of long-term refinancing operations that would effectively pay banks to lend money to firms. Such measures were a significant departure from previous crisis response efforts both in terms of the speed with which they were agreed and in terms of the flexibility around their framing.

Analysts who follow the ECB could see immediately how such measures would benefit the Italian economy; nevertheless, the signalling was too subtle for most of the public. Worse, the new ECB President Christine Lagarde buried that signal in a communications error suggesting that stabilizing borrowing costs for countries like Italy was not part of the ECB’s mandate. What her predecessor, Mario Draghi, made clear during the last crisis is exactly the opposite. Bond market participants immediately saw Lagarde’s comment as a weakening of the ECB’s commitment and began driving down the price of Italian sovereign debt before Lagarde had a chance to clear things up (Jones 2020).

The ECB’s correction came later that same day, in terms of communications, and within less than a week in terms of additional policy measures. Nevertheless, the damage was done. Italian sovereign debt markets looked vulnerable and Italian borrowing costs remained elevated. This not only heightened the sense of isolation within Italy but also underscored that conditions elsewhere were better. It did not help perceptions that life without the ECB would have been much worse. What mattered was that the ECB appeared to hesitate when Italians needed it most. Given that the consequences fell most obviously on Italian sovereign debt markets, this only added weight to calls for some form of 'mutualized' European borrowing (Dall'Asén 2020). In his 27 March 'statement … on the coronavirus emergency', President Mattarella (2020b) made it clear: 'Solidarity is not just required by the values of the European Union; it is also in our common interest.'

The debate about debt mutualization took place within the Eurogroup, which is the group of finance ministers of those countries that share the euro as a common currency. This group does not have a legal identity in the European Treaties and so has no final decision-making authority. Nevertheless, it brings together the key economic policymakers for the euro area and so tends to set the agenda. In the debate about debt mutualization, the three main sticking points were whether it should take place, who should be the agent, and how it should be financed.

The answers came on 9 April. That is when the Eurogroup agreed that the EU could borrow with a joint-and-several guarantee under the right conditions. The agent for borrowing should be different depending upon the activity: The European Investment Bank (EIB) would guarantee loans to firms, the European Commission could raise money to support national employment and unemployment schemes, and the ESM could raise funds to help Member State governments carry costs directly associated with the health emergency. Importantly, financing should come from the Member States either in the form of capital contributions (EIB) or through repayment of loans made to them by the European Commission or the ESM.

The conditionality proved to be toxic, particularly with respect to ESM lending. In the debate over these proposals that took place between the Eurogroup meeting and the European Council summit held on 23 April, proponents of the agreement stressed that the ESM had to provide the loans and that the only condition was that money be spent on health and related costs; opponents replied that the ESM cannot lend without conditions and that the ESM is not the only European institution capable of raising European debt. The implication was that any resistance to having either the Commission or some purpose-built entity raise these funds instead of the ESM must exist for a reason, which both Salvini and Meloni characterized as a desire to strip Italy of its sovereignty – provoking a fierce exchange with Conte (Rubino 2020). Ultimately, the advocates of an ESM programme won and yet the opponents – including Conte – resolved not to use it.

This was the worst possible combination insofar as both sides of the debate came away looking either ungenerous or ungrateful, depending upon the perspective. When Italians were asked around the time of the European Council summit as to what the rest of Europe had done to help Italy during the crisis, 84 percent responded that other European countries had done ‘little’ or ‘nothing’; 79 percent said the same about the European institutions (Winpoll 2020).

The saving grace of the European Council agreement was that it promised that a common recovery fund would follow, and it instructed the European Commission to begin preparations (European Council 2020). The facilities created using the EIB, the Commission, and the ESM were palliatives for use in the short term; the recovery fund would focus on the longer-term challenge of rebuilding Europe’s economies after the pandemic. The questions surrounding that effort remained the same – whether there would be common borrowing, who would raise the loans, and how they would be financed. The difference with the recovery fund lay in the scale and scope of the effort.

The European Union Recognizes the Importance of Providing Assistance

French President Emmanuel Macron and German Chancellor Angela Merkel did not wait for the European Commission to deliver. Instead, they made their own proposal for a European recovery fund on 18 May (France and Germany 2020). Their proposal was for the Commission to raise €500 billion to spend alongside the European budget to help those countries most affected by the pandemic, to foster Europe’s green and digital transformation, and to enhance the resilience of European supply chains and the common market. Crucially, this money would be spent directly in a manner that would complement national recovery efforts, and it would be financed through a temporary increase in the ‘own resources’ accrued by the EU.

This declaration marked a major shift in the German government’s position, moving it much closer to the kind of debt mutualization advocated by Conte. It also marked a division between Germany and some of its smaller allies in northern Europe, like the Netherlands. Those smaller countries accepted the need for common borrowing, but they argued that any spending should operate through national governments and should be repaid as loans. And they quickly issued a ‘non paper’ – or informal proposal – in response to the proposals from France and Germany. Moreover, they had broad domestic support for these positions. They were not trying to be ungenerous; they simply believed in the importance of national responsibility. In one survey taken in the Netherlands, for example, 50 percent of respondents said countries harder hit by the pandemic should get more European money than others, 65 percent agreed that what is bad for the Spanish and Italian economies is also bad for the Netherlands, and 70 percent embraced the view that EU Member States should show solidarity for one another. Nevertheless, 72 percent agreed that any European money sent to southern Europe should be paid back in full (I&O Research 2020: 11).

In its own proposal, the European Commission tried to strike a compromise. It borrowed many of the programmatic elements from the German and French proposal but added an additional €250 billion in loans on top of the €500 billion in direct outlays, which it split between funding for EU projects and funding for the Member States (European Commission 2020a). Conte immediately threw his support behind the idea calling it an 'optimal signal from Brussels that goes precisely in the direction Italy has indicated' (De Felice 2020). Most Italians agreed. In a survey commissioned on the day the European Commission's proposal was announced, 69 percent of respondents were either positive or very positive about it against only 15 percent who took a negative view (SWP 2020).

The Dutch response to the Commission's proposal came as a letter from the Dutch government to the members of its own parliament. That letter challenged every aspect of the Commission's proposal, from the size of the package and the formula for allocating resources, to the financing that would be required simply to issue the loans in the first place. Most important, the Dutch challenged the logic behind the proposal. Given that the Commission had already certified that 'the public debts of all eurozone countries were sustainable in the medium term (…) there is no obvious reason to provide grants (instead of loans) from the Recovery and Resistance Facility' (Blok and Hoekstra 2020).

A summer of tense negotiations followed, with the Dutch Prime Minister Mark Rutte taking a firm stand against any direct expenditures while Conte pushed for more grants and fewer loans. Conte had strength in numbers. Not only were France and Germany on his side of the argument, but so were most other Member States. By contrast, Rutte could count on only four allies – Austria, Denmark, Finland and Sweden. But Rutte had institutional power. Agreement on the recovery fund had to be unanimous to be accepted. Rutte also had issue linkage. The 23 April European Council instructed the Commission to link the recovery fund to the EU's multiannual financial framework, or multi-year budget (European Council 2020). That meant so long as the Dutch held out against the recovery fund, the budget would also remain in limbo; Rutte could run out the clock in order to win concessions.

Most important, Conte already had what he wanted in the European Commission proposal. Asking for more would seem unreasonable. He could browbeat Rutte with claims that the Dutch would be responsible if the markets turned against Italy and Europe, but Conte had no real alternative to a negotiated solution and so any concessions would come from his position (Custodero and Mari 2020). As the date for the July European Council approached, Conte played a highly visible role in the negotiations and yet the needle turned inexorably against him, decreasing the volume of direct expenditures and increasing the volume of loans. Meanwhile, the Dutch continued to challenge the distribution formula, noting that the variables used by the European Commission had more relevance to economic conditions in 2019 than to the impact of the pandemic. The Commission's formula benefits Spain and Italy; something more attentive to the ongoing crisis would shift funds to other parts of Europe.

This complex negotiation threatened to overwhelm the European Council summit that convened on 17 July. The talks dragged on for four days. When they ended, the new recovery plan showed a number of concessions to the Dutch position. The balance between grants and loans shifted away from grants; the formula for distributing the funds will be subject to revision; the financing remained only suggestive apart from a rebate to the Netherlands and its allies; and any expenditures would be under supervision both by the European Commission and by the Council of the EU.

Nevertheless, Conte could claim a victory. Not only did the package include more direct expenditures than loans overall, but the allocation of funds to Italy was unprecedented – amounting to roughly €209 billion. From this perspective, the contrast between July and April was enormous; Europe had shown solidarity toward Italy. And the Italians noticed. A majority of Italians approved of the agreement and popular confidence in Conte rose by two percentage points between the start of the summit and the finish (Euromedia 2020).

If there was a shadow over the agreement, it had less to do with Europe than with Italy. When polling respondents were asked whether their government was able and ready to use the resources coming from Europe in the best way possible, just under 42 percent responded that the rest of Europe would be wise 'not to trust us' (*ibidem*).

Now Italy Needs to Show It Can Take the Help It Was Offered

The completion of negotiations on the recovery fund, called Next Generation EU, freed Italy's political leadership to focus on other problems. These included not just the rise in new coronavirus infections in the country's beach resorts (and discotheques), but also the regional elections and constitutional referendum that had been rescheduled to 21 September due to the pandemic. These issues are important because they touch on the notion of competence. The rise in new cases made it clear that the pandemic had only paused over the summer; the question was whether the government was adequately prepared for a second wave. Reopening the schools was a particular source of concern.

The more political issues highlighted something different. The regional elections showed the weakness of the main coalition parties and of the alliance between them; the PD did better than expected in Tuscany, but the fact that it ran without support from the M5s and that the contest was even close still resonated (Vampa 2021). For its part, the M5s did very poorly across all seven regions that held contests. It could claim victory in the constitutional referendum, which was a long-standing M5s commitment which cleared the way to reduce the number of parliamentarians from 945 to 600 between the Senate and the Chamber of Deputies. A loss on that issue would have been significant for the Movement (Guadenzi 2020). The problem, however, is that – together with the large swings in voting intentions that had taken place since March 2018 – the referendum outcome highlighted just how much the current crop of senators and deputies were likely to do anything to escape early elections.

That combination of weakness and self-interest gave Conte a unique position in Italian politics. He became the point of reference for the M5s because his approval ratings towered above the rest of that movement's political leadership. Having stood apart from the regional contests, Conte also became the strongest connection between the M5s and the PD. Moreover, PD leader, Nicola Zingaretti, still hoped to transform that coalition into an effective electoral alliance. Conte could play a major role in that project. Most important, Conte appeared to be the only politician who could command a majority in both chambers of the Italian parliament (and particularly in the Senate). If he were to fail, it was hard to imagine what politician could replace him or what coalition could command a similar majority. By implication, Mattarella might have no other choice than to call early elections – a point Mattarella had made himself when Conte formed the coalition between M5s and PD a year earlier.

Conte's unique role carried great responsibility, both for the management of the pandemic and for the preparations to receive and implement support from Europe under Next

Generation EU. Just how great became apparent at roughly the same time Italy went into its regional elections. On 17 September, the European Commission (2020b) issued guidance notes on the plans that would have to be submitted to qualify for assistance under the new 'recovery and resilience' framework.

The notion of 'resilience' garnered particular emphasis. Governments had to show four elements in their proposals. One was how they would spend European resources to promote a just environmental and digital transformation of their economies. Another was how such spending would reinforce efforts to build back what had been destroyed during the pandemic, while at the same time strengthening national health systems. A third was how their recovery efforts incorporated structural reforms and fiscal consolidation measures that the Commission had requested during the regular pattern of economic policy coordination (called 'country specific recommendations' within the 'European Semester') in 2019 and 2020. The fourth element to include was a collection of benchmarks, timetables, and targets that the Commission could use to monitor progress in each of the three areas – transformation, recovery, and reform. Should a national government fall behind in any aspect, the Commission could withhold funding.

These requirements necessitate a high degree of advance planning and the templates that the European Commission (2020c) produced for national proposals demand an extraordinary level of detail. Former European Commission President (and Italian Prime Minister) Romano Prodi described them as some of the most intrusive requirements that he had ever seen.[1] Moreover, the timetable is exacting. Governments must present their detailed plans to the European Commission in April 2021, they have to finish contracting by the end of December 2023, and they have to spend whatever money they receive by December 2026. Italy does not have a good track record in meeting those kinds of deadlines. Between 2014 and 2020, for example, the Italian government planned to receive €72.5 billion; it decided on projects worth €62.3 billion; and it managed to spend only €31.5 billion. Italy is not unique in this respect, but it is far below the European average.[2]

The Conte government was not surprised by the arrangements. On the contrary, Conte had begun planning how to use European resources already in June. He convened a 'general estates' (*stati generali*) to solicit ideas for what to do with the recovery funds from business, trade unions, and other stakeholders. In doing so, Conte promised that his government 'would not waste a single euro' in its efforts to 'return the country to normal' after the pandemic (Ansa

2020). In turn, those meetings generated a huge number of proposals – far more than even unprecedented European support could finance. Hence, the question became how the Conte government would bring these issues together under a common strategy, which projects would be selected or rejected, and how the whole assembly would be managed.

This is where Conte's unique position in Italian politics became important. As prime minister, he planned to centralize responsibility for drawing up Italy's recovery plan in his own office and with the support of a select number of ministers, including the minister for economics and finance. This would make it easier for Conte to reconcile competing interests. His initial goal was to present the plan already in mid-October (Travaglio and Cannavò 2020).

That deadline was too ambitious. The return of the pandemic combined with the usual challenge of preparing the next year's budget absorbed too much attention. Meanwhile, the coalition partners battled over whether Italy should tap the funds on offer from the ESM. Zingaretti and the PD were strongly in favour; so was Renzi and his Italia Viva party. The M5s was against. For his part, Conte tried to give the appearance of being impartial and yet worried that any decision to access ESM funding would cause a split in the M5s (Conte 2020).

These controversies dragged on through the autumn and intensified as the second wave of the pandemic grew worse. At the same time, Renzi began challenging Conte's management of the planning process alongside a series of critiques of Conte's leadership more generally – including his refusal to access the ESM. These challenges gained momentum in November when the Italian government needed to ratify a series of amendments to the ESM Treaty that had been agreed at the European level already in 2019 (Zapponini 2020). Conte responded by presenting an outline of how he and his team thought the money should be spent.

Conte's outline proved unconvincing both as a vision and as a process. Instead of backing down, Renzi began to argue that if Conte did not change his strategy for managing Italy's preparations for Next Generation EU, Italia Viva might pull its support from the coalition and trigger new elections (*Il Sole 24 Ore* 2020). Given that Renzi's party would be devastated if Italy were to head to early elections, his threat to bring down the government seemed hard to understand. Nevertheless, Renzi repeated his objections and began floating potential replacements for Conte whether from the M5s or the PD, or from outside politics altogether. By late December, it was unclear where Renzi's manoeuvrings were headed. What was clear was that the Conte government was 'distracted', in the words of Mattarella's (2020a) year-end address. As a result, and to the outside world as well as the President of the Italian

Republic, time was being wasted as the first set of European deadlines approached (Munchau 2021).

Implications for Italy and Europe

This narrative of the relationship between Italy and Europe in 2020 has implications rather than a conclusion. The cliff-hanger ending means the narrative remains open ended. What the story reveals is the complex interdependence between what happens at the national level and what happens in the European Union. The EU cannot afford to see Italy fail to recover from the pandemic any more than it could afford to see Italy fail to recover from the last crisis. Italy cannot afford to see the EU fail either. That kind of interdependence is relatively easy to understand.

What is more complicated to untangle is how the requirements for 'success' at the national and European levels are interconnected – or even whether the different notions of success embraced at different levels of aggregation are compatible. This is not a new problem. Gunnar Myrdal (1956) observed a similar pattern of complex interaction already in the 1950s. At the time, he believed that European integration would never take root because national institutions and national preferences were too powerful. He was mistaken. Nevertheless, his analysis of the tensions that emerge from the entanglement of different levels of politics was sound (Jones 2018).

The challenge for Italy is to live up to European expectations; the challenge for EU institutions is to provide benefits that are worth the effort that meeting European expectations entails. Both sides failed at one point or another in 2020, and both sides have struggled to make amends for those failings. Italy's relationship with Europe is and always will be a work in progress so long as the desire to continue exists on both sides. The question left open at the start of 2021 is whether that desire can be taken for granted.

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NOTES

[1] Prodi made these comments at a talk to students at the Johns Hopkins School of Advanced International Studies in Bologna, Italy, on 19 October; he elaborated on those remarks in an interview with Pilar Bolognesi in December.

[2] This data is available from the European Commission at https://cohesiondata.ec.europa.eu/overview.